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Calendar Year Projections of  
Information and Withholding Documents  
for the United States and IRS Centers:  
2003 – 2011

Document 6961  
2003 Update

**Suggested Citation**

Internal Revenue Service  
Research, Analysis and Statistics  
Office of Research  
Calendar Year Projections of Information and  
Withholding Documents for the United States and  
IRS Centers: 2003 – 2011  
Document 6961 (Rev. 7-03)  
Washington, D.C. 20224

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**Document 6961 (revised 7-03) is a product of the IRS Office of Research, within the Research, Analysis and Statistics unit.**

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**Forecasts Available Electronically**

The following forecasts are also available on the IRS's web site. This site can be reached at **[www.irs.gov](http://www.irs.gov)**. Select the "Tax Stats" option, and then the "Projections" option (under the *Statistical Publications* heading). IRS employees can also access this projections product on the IRWeb intranet site by selecting the "NHQ" option (under the *Major Organizations* section); followed by the "Research, Analysis and Statistics" option; the "Office of Research" option; and then the "Projections and Forecasting Publications" option.

**Distribution**

If you are an IRS employee and would like to receive a printed copy of this document on a continuous basis, please contact your local IMDDS coordinator and obtain the appropriate protocol for inclusion on the distribution list. All non-IRS customers, and IRS customers uncertain of their local IMDDS coordinator, should contact Philip Cormany on (202) 874-0514.

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## Overview

Calendar year projections of information and withholding documents are revised annually by Office of Research staff within the Research, Analysis and Statistics unit to accommodate the most recent filing year experience. Current legislative, administrative, and economic/ demographic factors are also incorporated in these projections of information reporting program (IRP) documents. Forecasts of the economic and demographic data series used by Research staff in projecting IRP documents are provided by Global Insight, Inc. Information and withholding document projections are used primarily by the IRS operational and resource planning functions to assist in the formulation of their budget submissions and staffing requirements, and to complete various other analyses. Enacted tax law changes and confirmed administrative plans are reflected in these projections. However, legislative or administrative initiatives simply under consideration are generally not used to adjust the projections due to the uncertain nature of their eventual outcome.

A comparison of projections for filing year 2004 made in the 2002 version of this document versus the current update is contained in Table 1. This table compares both the “all media grand total” and “paper” components. Table 2 contains the U.S. level projections through calendar year (CY) 2011 for the grand total volumes for all media. The U.S. forecasts for the “non-paper” segment are provided in Table 3, while Table 4 presents the “paper” component. Detailed breakouts for the paper component at the IRS processing center level are provided in Tables 4A through 4F.

Table 5 presents the current alignment of states by IRS processing center for paper Schedules K-1. Table 6 contains the alignment of states by processing center for the other paper documents for the 2002 filing season (five SCRIPS centers with international forms processed at the Philadelphia center), as well as the state alignment for CY 2003-on (four SCRIPS centers with the Philadelphia center processing International returns). The tables are followed by additional narrative that provides definitions of the IRP forms projected and the methodology used to forecast these items.

## Impact of Recent Legislative and Administrative Changes

### *Workload Realignment Under Modernization*

Changes in processing center alignment due to the IRS modernization plans for the business operating division (BOD) structure have been integrated into the projections contained in this edition of Document 6961. Beginning in CY 2002, the paper Schedule K-1 series for Forms 1041, Forms 1065, and Forms 1120S are processed exclusively at the Cincinnati and Ogden centers, with the exception of International returns, which are processed in the Philadelphia center. Also, the IRS center in Memphis ceased processing the non-Schedule K-1 documents at the end of

CY 2002. Documents previously processed at the Memphis center are now allocated among the four remaining Service Center Recognition/Imaging Processing System (SCRIPS) centers as follows: returns from Virginia and North Carolina are processed at the Austin center; Delaware, New Jersey, and Pennsylvania have transitioned to the Cincinnati center; Tennessee and South Carolina are processed at Kansas City; and the Ogden center receives returns from Maryland and the District of Columbia.

### *Schedule K-1 Form 1120S Electronic Filing*

As part of the effort to reduce paper filing, the IRS will offer the option of electronic filing for Form 1120S to small corporations beginning in CY 2004. Although there are currently no mandates for this program, those who opt to electronically file Form 1120S must file the associated Schedules K-1 electronically as well. Projections of non-paper Schedules K-1 (1120S) contained in this document reflect the expected voluntary transition of filers to the electronic media.

### *Other IRP Documents Being Projected*

Effective CY 2004, Form 5498, IRA and Coverdell ESA Contribution Information, will be divided into two separate reports; the IRA Contribution Information document, which will be designated as Form 5498, and the Coverdell ESA Contribution Information document, which will be reported on Form 5498 ESA. Projections are provided separately for each form type beginning in 2004.

Projections for Form 1099 CAP, Changes in Corporate Control and Capital Structure, will be provided in future updates of this document. At the time these Document 6961 projections were prepared, filing regulations regarding this form type were temporary and affected a very small number of corporations. Due to the uncertain nature of the final requirements and their anticipated effects, projections for this series are not included in the current update.

### **Lower Schedule K-1 Form 1065 Grand Total Projections**

Projections of Schedules K-1 Form 1065 are based on historic sample data provided by the IRS Statistics of Income Division. The SOI final 1999 volume was recently revised and reflects a decline from the preliminary 1999 value used in previous updates of this document. This downward revision, along with SOI's lower anticipated volumes for CY 2000, led to a decrease in the projections for this series compared to the Spring 2002 update.

### **Revisions to 2004 Forecasts Relative to Forecasts Produced Last Year**

For filing year (i.e., calendar year) 2004, the grand total number of information and withholding documents projected in this update is about 10.9 percent (187 million forms) lower than the total volume projected last year (see Table 1, left side). A major

portion of the net revision is driven by the decrease in the projections of Form 1099-B (i.e., 145 million decrease) and Form 1099 DIV (i.e., 25.1 million decrease) which were based on the actual 2002 filing experience.

Regarding **paper** submissions, the number of documents projected for CY 2004 is about 2.4 percent less (1.5 million forms) than the paper volume projected in last year's edition of this document (Table 1, right side). Embedded in this change in CY 2004 paper volumes is a decrease of about 0.8 million paper Forms 1098-T.

## Customer Satisfaction and Comments

In January 2003, as part of our commitment to performance measurement, the Projections and Forecasting Group conducted our fourth annual survey of IRS customers to determine satisfaction levels with our products and services. The table below summarizes the results of those surveys on four major dimensions.

<i>PFG Customer Satisfaction Survey Results: Percent "Satisfied" or "Very Satisfied"</i>				
<u>Measure</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Accuracy of Forecasts	81	83	84	80
Timeliness	75	73	80	89
Responsiveness of PFG Staff	67	64	72	74
Overall Satisfaction	85	87	85	91

We thank customers who have participated in our past surveys and ask for your continued cooperation in future iterations. Also, we continually seek to improve customer service wherever we can and we welcome customer feedback at any time. Comments and suggestions regarding this document can be directed to Russell Geiman, Chief, Projections and Forecasting Group on (202) 874-0607. Questions concerning a specific tax return listed in this document may also be directed to the projections staff listed on the inside front cover. Finally, the tables contained in this document are also available electronically, as noted on the inside front cover.

Eric Toder  
Director, Office of Research

## **List and Definitions of Information and Withholding Documents Projected in Document 6961**

**Form W-2, Wage and Tax Statement** is filed by employers for each employee on the payroll, to report wages, tips, other compensation, withheld income, social security and Medicare taxes, and advance earned income credit payments.

**Form W-2G, Certain Gambling Winnings** is provided to recipients of gambling winnings of \$600 or more from horse racing, dog racing, jai alai, lotteries, raffles, and drawings; gambling winnings of \$1,200 or more from bingo or slot machines; and gambling winnings of \$1,500 or more from keno.

**Form 1099-DIV, Dividends and Distributions** is provided to each person who: received \$10 or more in gross dividends and other stock distributions; had withheld and paid foreign tax on dividends; had withheld income under the backup withholding rules; or received \$600 or more as part of a liquidation.

**Form 1099-INT, Interest Income** is provided to each person who: received \$10 or more in interest income; had withheld and paid foreign tax on interest; or had withheld income under the backup withholding rules.

**Form 1099-MISC, Miscellaneous Income** is provided to each person who: received at least \$10 in royalties or broker payments in lieu of dividends or in lieu of tax-exempt interest; received at least \$600 in rents, services, prizes and awards, other income payments, and medical and health care payments; or received any fishing boat proceeds. In addition, Form 1099-MISC is also used to report the direct sales of at least \$5,000 of consumer products to a buyer for resale. Persons with backup withholdings should also receive a copy of the form regardless of the amount of withholding.

**Form 1099-OID, Original Issue Discount** is provided by an issuer of: outstanding bonds or other evidence of indebtedness in registered or bearer form issued with original issue discount of more than \$10; certificates of deposits of over one year; other deposit arrangements such as time deposits or bonus savings plans having a term in excess of one year provided the payment of interest is deferred until maturity; or collateralized debt obligation by a real estate mortgage investment conduit (REMIC) or other issuer. It is also filed if there are backup withholdings, even though the amount of the original issue discount is less than \$10.

**Form 1099-PATR, Taxable Distributions Received From Cooperatives** must be filed by cooperatives for each person to whom the cooperative has paid at least \$10 in patronage dividends and other distributions or for backup withholdings regardless of the amount of payment.

**Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.** is provided to each person who has received distributions from profit-sharing or retirement plans, IRAs, annuities, pensions, etc., whether or not any amount of Federal income tax was withheld.

**Form 1099-B, Proceeds From Broker and Barter Exchange Transactions** is provided to each person for whom a broker has sold stocks, bonds, commodities, regulated futures contracts, foreign currency contracts, forward contracts, debt instruments, etc., or who has exchanged property or services through a barter exchange.

**Form 1099-G, Certain Government Payments** is filed by persons who made certain payments as a unit of Federal, state, or local government, including payments of \$10 or more in unemployment compensation (also Railroad Retirement Board payments for unemployment); refunds, credits, or offsets of state or local income tax of \$10 or more; federal income tax withheld (backup withholding); and certain taxable grants.

**Form 5498, IRA Contribution Information** is filed for each person who had an individual retirement arrangement to report contributions and the fair market value of the account.

**Form 5498-ESA, Coverdell ESA Contribution Information** reports contributions (including rollovers) to Coverdell education savings accounts.

**Form 1099-A, Acquisition or Abandonment of Secured Property** is filed for each borrower if money is loaned in connection with a trade or business and, in full or partial satisfaction of the debt, an interest in property is acquired that is security for the debt, or the property has been abandoned.

**Form 1098, Mortgage Interest Statement** is filed to report mortgage interest (including reportable points) of \$600 or more received in a trade or business from an individual, including a sole proprietor.

**Form 1099-S, Proceeds from Real Estate Transactions** is filed to report the sale or exchange of reportable real estate.

**Form 1099-SSA (Social Security Benefit Statement) and Form 1099-RRB (Payments by the Railroad Retirement Board)** are filed by the Social Security Administration and the Railroad Retirement Board to show the amount of retirement payments made to individual recipients. This type of reporting is made via magnetic media.

**Schedule K1-Form 1041, Beneficiary's Share of Income, Credits, Deductions, etc.** is filed with Form 1041 to report the beneficiary's share of income from an estate or trust.



**Schedule K1-Form 1065, Partner's Share of Income, Credits, Deductions, etc.** is used by filers of Form 1065 to report each partner's share of the partnership's income, credits, deductions, etc.

**Schedule K1-Form 1120S, Shareholder's Share of Income, Credits, Deductions, etc.** is used by filers of Form 1120S to report each shareholder's pro rata share of corporate income (less taxes the corporation paid on income), credits, deductions, etc.

**Foreign Information Returns** are filed by foreign corporations that pay interest or dividend income to U.S. citizens. There is no standard format for transmitting such information to the Internal Revenue Service.

**Form 1096, Annual Summary and Transmittal of U.S. Information Returns**, is a "payer" transmittal document used to transmit paper "payee" documents.

**Form 1099-C, Cancellation of Debt**, is filed by financial institutions and federal government agencies to report certain debts that are forgiven in excess of \$600. This form **is not** required in situations involving consumer bankruptcies.

**Form 4789, Currency Transaction Report (CTR)**, is filed by financial institutions to report cash amounts received in excess of \$10,000.

**Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business**, is a currency transaction report filed by an entity engaged in a trade or business that receives a cash payment in excess of \$10,000.

**Form 8362/8852, CTR by Casinos/CTR by Casinos-Nevada**, are filed by casinos to report either currency received or currency disbursed in excess of \$10,000. The Form 8852 filing numbers are embedded in the Form 8362 numbers in Document 6961.

**Form 5498-MSA, Archer Medical Savings Account (MSA) or Medicare + Choice MSA Information**, is submitted by the trustee or custodian of an Archer MSA or Medicare + Choice MSA. Rollovers from one Archer MSA to another Archer MSA must be reported, as well as the death of an account holder.

**Form 1099-MSA, Distributions from an Archer MSA or Medicare + Choice MSA**, is used to report gross distributions from an Archer MSA or Medicare + Choice MSA to either an account holder or medical service provider. An MSA distribution is not subject to taxation if it is part of a trustee- to trustee- transfer from one Archer MSA or Medicare + Choice MSA to another. Contributions and rollovers do not include transfers.

**Form 1099-LTC, Long-Term Care and Accelerated Death Benefits** is filed if payments are made for any long-term care benefits, including accelerated death

benefits. Payers include insurance companies, governmental units, and viatical settlement providers.

**Form 1098-E, Student Loan Interest Statement** is to be filed by financial institutions, governmental units, educational institutions, or any other persons who receive (from an individual) student loan interest of \$600 or more during the year.

**Form 1098-T, Tuition Statement** is to be filed by educational institutions that received (from an individual) qualified tuition and related expenses in a given year. This form is not applicable to students that are nonresident aliens.

**Form 1099-Q, Qualified Education Programs**, is a result of legislation which expanded the definition of a qualified tuition program to include programs established and maintained by private eligible educational institutions. Reporting of earnings from qualified state tuition programs (as described in the Internal Revenue Code, Section 5-29) was moved from Box 5 of the Form 1099-G, to Form 1099-Q.

**Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding**, is filed for amounts paid to foreign persons that are subject to withholding, even if no amount is withheld or deducted because of a treaty or Code exception to taxation or if any amount withheld was repaid to the payee. Amounts subject to withholding are from sources within the U.S. that constitute either fixed or determinable annual or periodical (FDAP) income; certain gains from the disposal of timber, coal, or domestic iron ore with a retained economic interest; or gains relating to contingent payments received from the sale or exchange of patents, copyrights, and similar intangible property.

**Treasury Department Form 90-22.1, Report of Foreign Bank and Financial Accounts**, is filed by persons having a financial interest in, or signature or other authority over, any financial accounts (banks, securities, or other types of accounts in a foreign country) if the aggregate value of these accounts exceeds \$10,000 at any time during the calendar year.

**Treasury Department Form 90-22.47, Suspicious Activity Report**, is filed by U.S. financial institutions upon discovery of insider abuse involving any amount, violations aggregating \$5,000 or more where a suspect can be identified, violations aggregating \$25,000 or more regardless of potential suspect, transactions totaling \$5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act, or computer intrusion.

**Treasury Department Form 90-22.49, Suspicious Activity Report Casino Form**, is used by casinos in Nevada and New Jersey to report suspicious transactions even if the aggregate amount is less than \$10,000. Other U.S. casinos are encouraged by the U.S. government to use this form for the same purpose.

**Treasury Department Form 90-22.53, Designation of Exempt Person**, is filed by banks wishing to designate a customer as an exempt person for purposes of CTR reporting.

**Treasury Department Form 90-22.55, Registration of Money Services Business**, is filed by all money services businesses with the exception of those that are MSBs solely because they serve as an agent to another MSB. Businesses must file when they begin operations and must re-register every two years.

## **Statement of Methodology**

This document contains three main sets of projections. The first group (Table 2) includes all media grand total projections, as well as withholding and other IRP documents received in both paper and non-paper formats (non-paper includes magnetic tape filing, electronic filing, and diskette filing). The second set of projections (Table 3) contains the non-paper portion, and the third group (Table 4) includes only paper projections. In accordance with customer requests, all forecasts are provided at the U.S. level, and projections of paper documents are available for both the U.S. and IRS center levels (Tables 4A-4F), with the exception of Currency Transaction Reports (which are “handled” by the Detroit Computing Center).

### **Data Sources and 2002 Historical Paper Volumes**

Program staff under the operating divisions and Modernization and Information Technology provide the actual (“historical”) data on the number of IRP documents filed. Their data sources include: MCC IRP Reformat Report; CAWR W-2 Control Report; IRP Counts for 1099-SSA/RRB; Paper IRP Production Report; other service center sources; and the national calendar year Currency Transaction Report receipts. In the case of Form 1042-S, counts were provided directly by relevant program staff. Most of the paper form types filed in calendar year (CY) 2002 were fully counted by IRS staff in the processing centers and did not require estimation. The exceptions were Forms 1098, 1098-T, 1099-INT, 1099-MSA, and 1099-S. For these forms, CY 2002 volumes were estimated via time trend extrapolations of prior history.

### **U.S. Level Forecasts**

The U.S. level grand total and paper projections were forecasted mainly through regression analysis. Each respective form type was analyzed and regression models were developed using appropriate economic/demographic variables or historic time trends. Several variables were used to project IRP filings, including non-agricultural employment, population counts, and home mortgages outstanding. Time trend models were primarily used to forecast paper IRP documents. The projections of IRP non-paper documents were then derived by subtracting projections of the IRP paper documents from the grand total projections.

The above procedure was used for all documents with a few exceptions. For Form 1096, Form 8300, Form 8362, Form 1099-Q, Form 90-22.1, Form 90-22.49, and Form 90-22.55, the paper format is the only means of transmittal. Therefore, for these form types, the grand total and paper volumes are the same.

## **Center Level Forecasts and Impact of Modernization Alignment**

As a result of the Service Center Recognition/Imaging Processing System (SCRIPS) which enabled IRS centers to optically scan most paper IRP documents, the IRS has consolidated the filing/processing workload for these forms into four designated SCRIPS centers in CY 2003. Paper documents will be processed only at the Austin, Cincinnati, Kansas City, and Ogden centers. In CY 2002, these four centers, along with the Memphis center, processed all non-Schedule K-1 series paper documents. The paper Schedule K-1 series documents are handled exclusively by the Cincinnati and Ogden centers, with the exception of forms submitted from the International area which are still processed by the Philadelphia center. Form 1042-S paper submissions are also processed at the center in Philadelphia. In addition, all paper Currency Transaction Reports continue to be handled at the Detroit Computing Center. Table 5 reflects the processing center alignment of states/International for paper Schedules K-1, while Table 6 shows the alignment of states/International by processing center for all other paper documents.

For each of the four SCRIPS centers, most of the paper form types were processed and accounted for in the CY 2002 IRS center reports. However, these reports had to be adjusted for transshipments that occurred during the processing year before center-to-U.S. ratios could be derived and examined (for future projection purposes). These ratios were then multiplied by the national paper estimates to derive most of the preliminary IRS center level estimates. Further adjustments were made to these preliminary estimates since Memphis terminated IRP document processing in CY 2003. Relevant program staff provided ratios for the allocation of the Memphis volume among the four remaining SCRIPS centers. In the case of the Schedule K-1 series, center-to-U.S. ratios of associated "parent" forms (i.e., Forms 1041, 1065, and 1120S) were applied to their corresponding U.S. paper level projections to derive the center level estimates.

## ADDITIONAL PROJECTION DOCUMENTS

<b>Title</b>	<b>IRS Document Number</b>	<b>Typical Updates</b>
Calendar Year Return Projections by State and Selected Locations	6149	Winter
Calendar Year Return Projections for the United States and IRS Centers	6186	Fall
Calendar Year Projections of Individual Returns by Major Processing Categories	6187	Fall
Fiscal Year Return Projections for the United States	6292	Spring and Fall

These documents may be requested by calling Philip Cormany on (202) 874-0514, by fax on (202) 874-0613, or by writing to:

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